

**CLARION-GOLDFIELD
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS

JUNE 30, 2009

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CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2008 Election)

Clint Middleton	President	2008
Missy Schultz		2008
Tim Nagel		2009
Dana Langfitt		2010
Beth Jackson		2010

(After September 2008 Election)

Clint Middleton	President	2011
Missy Schultz		2011
Tim Nagel		2009
Dana Langfitt		2009
Beth Jackson		2009

School Officials

Dr. Robert Olson	Superintendent
Fern Spellmeyer	District Secretary
Les Loecher	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Clarion-Goldfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Clarion-Goldfield Community School District, Clarion, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

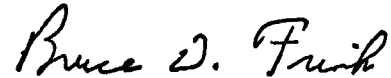
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Clarion-Goldfield Community School District at June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2010 on our consideration of Clarion-Goldfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 37 through 38 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarion-Goldfield Community School District's basic financial statements. The financial statements for the five years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Bruce D. Frink
Certified Public Accountant

April 29, 2010

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarion-Goldfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,100,591 in fiscal 2008 to \$8,508,106 in fiscal 2009, while General Fund expenditures increased from \$8,425,837 in fiscal 2008 to \$8,766,513 in fiscal 2009. The District's General Fund balance decreased from \$379,567 in fiscal 2008 to \$123,468 in fiscal 2009, a decrease of 67%.
- The decrease in General Fund revenues was largely due to declining enrollment and a midyear state aid cut. Over the last three years, the district lost about 73 students, which negatively impacts revenue in the school foundation formula. The increase in expenditures was largely due to increased in negotiated salaries and benefits.
- The more important measure is the district's annual comparison of unspent authority. While the district's cash condition decreased by \$160,877, the District's unspent authority decreased by \$239,461. The unspent authority decreased from \$904,234 at the end of FY08 to \$664,773 at the end of FY09. New revenue associated with Volunteer State Funded Preschool, Federal Educational Stabilization, supplemental weighting for sharing a Superintendent with Dows CSD and Transportation Director and Vocational Agriculture Instructor with Eagle Grove CSD should also improve the district financial position in the future. However, funding often trails the expenditures by a full school year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clarion-Goldfield Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clarion-Goldfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clarion-Goldfield Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Clarion-Goldfield Community School District Annual Financial Report

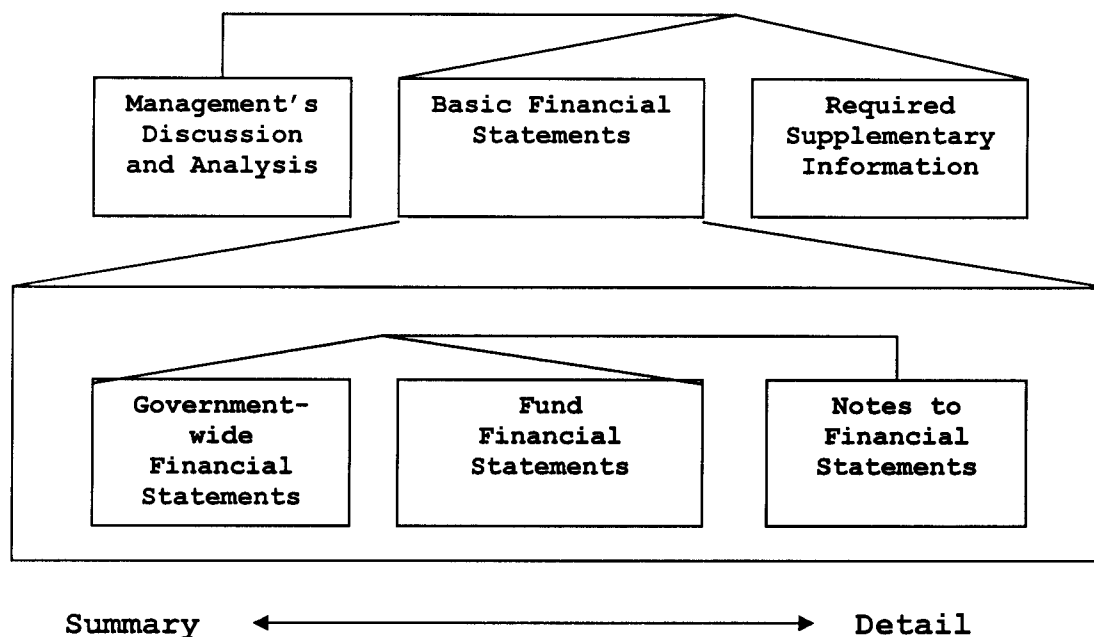


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" funds for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses Internal Service Funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has two Internal Service Funds. The District's Internal Service Funds include the District's employee flexible benefit plan and medical insurance side-fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

3) *Fiduciary funds:* The District is the trustee, or fiduciary for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund. This includes scholarships and the Nurse's fund. The Nurse's fund is financed by donations, specifically given for the purpose of providing necessities for students in need.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

<p align="center">Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)</p>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 5,087	5,725	144	138	5,231	5,863	-10.78%
Capital assets	10,292	10,629	102	104	10,394	10,733	-3.26%
Total assets	<u>15,379</u>	<u>16,354</u>	<u>246</u>	<u>242</u>	<u>15,625</u>	<u>16,596</u>	<u>-6.21%</u>
Current liabilities	3,433	4,215	6	11	3,439	4,226	-22.88%
Non-current liabilities	5,910	6,455	-	-	5,910	6,455	-9.22%
Total liabilities	<u>9,343</u>	<u>10,670</u>	<u>6</u>	<u>11</u>	<u>9,349</u>	<u>10,681</u>	<u>-12.47%</u>
Net Assets							
Invested in capital assets, net of related debt	4,867	4,689	102	104	4,969	4,793	3.54%
Restricted	1,288	976	-	-	1,288	976	24.22%
Unrestricted	(119)	19	138	127	19	146	-86.99%
Total net assets	<u>\$ 6,036</u>	<u>5,684</u>	<u>240</u>	<u>231</u>	<u>6,276</u>	<u>5,915</u>	<u>6.10%</u>

The District's combined net assets increased 6%, or approximately \$361,000, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased nearly \$312,000 or 24% over the prior year. The increase was primarily a result of increases in the Management and Capital Projects Funds.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenant, enabling legislation or other legal requirements decreased over \$127,000. This decrease in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 show the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental		Business type		Total		Total	
Activities		Activities		School District	Change		
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 662	1,000	218	193	880	1,193	-26.24%
Operating grants, contributions and interest	1,766	1,098	219	208	1,985	1,306	51.99%
Capital grants, contributions and interest	-	24	-	-	-	24	-100.00%
General revenues:							
Property tax	3,920	3,639	-	-	3,920	3,639	7.72%
Income surtax	273	242	-	-	273	242	12.81%
Statewide sales and services tax	513	512	-	-	513	512	0.20%
Unrestricted state grants	3,235	3,368	-	-	3,235	3,368	-3.95%
Unrestricted investment earnings	12	53	-	4	12	57	-78.95%
Other	59	102	-	-	59	102	357.84%
Total revenues	10,440	10,038	437	405	10,877	10,443	4.16%
Program expenses:							
Governmental activities:							
Instruction	6,175	5,933	-	-	6,175	5,933	4.08%
Support Services	2,746	2,831	-	-	2,746	2,831	-3.00%
Non-instructional programs	10	15	428	419	438	434	0.92%
Other expenses	1,157	1,121	-	-	1,157	1,121	3.21%
Total expenses	10,088	9,900	428	419	10,516	10,319	1.91%
Change in net assets	\$ 352	138	9	(14)	361	124	191.13%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,439,578 and expenses were \$10,087,746 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the year ending June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 6,175	5,933	4.08%	4,077	4,173	-2.30%
Support services	2,746	2,831	-3.00%	2,737	2,801	-2.28%
Non-instructional programs	10	15	-33.33%	10	15	-33.33%
Other expenses	<u>1,157</u>	<u>1,121</u>	<u>3.21%</u>	<u>837</u>	<u>790</u>	<u>5.95%</u>
Totals	<u>\$ 10,088</u>	<u>9,900</u>	<u>1.90%</u>	<u>7,661</u>	<u>7,779</u>	<u>-1.52%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$661,573 (most of these revenues are derived from tuition charged to other school districts and from student activities).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,049,867.
- The net cost of governmental activities was financed with \$3,921,231 in property and other local taxes and \$3,235,091 in unrestricted state grants.

Business Activities

Revenues for the business type activities during the year ended June 30, 2009 were \$436,626 and expenses totaled \$427,950. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. This represents 2% more expenses than revenue. The District continued to replace obsolete kitchen equipment, using nutrition funds. This was also done to help to draw down the nutrition fund balance, strongly insisted by the Iowa Department of Education.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Clarion-Goldfield Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$1,188,912, a 3% increase over last year's ending fund balance of \$1,155,061.

Governmental Fund Highlights

- The General Fund balance decreased from \$379,567 to \$123,468. Declining enrollment and corresponding decrease in state formula revenue, drop in SBRC spending authority for special education deficit, promise not to raise local property taxes for cash reserves midyear state aid cuts and overspending revenue is largely responsible for drop in the general fund balance.
- The Physical Plant and Equipment Levy (PPEL) Fund balance improved from \$14,041 in fiscal 2008 to a balance of \$53,535 in fiscal 2009. Revenues continue to increase as corresponding District valuation continues to recover from agricultural devaluation of 2005. Passage of the statewide one-cent sales tax and retirement of PPEL GO Bonds will take pressure off the PPEL fund and allow the fund balance to continue to improve.

- The Management Fund had an ending balance of \$48,372, which is \$80,902 higher than the previous year. The District is limited as to its ability to increase the Management Levy, due to the promise made to District patrons not to raise taxes more than 55 cents per thousand valuation after a successful bond issue. Improvement in District valuation generates more revenue and passage of the statewide one-cent sales tax allows the District to reconfigure debt, allowing more room for increasing the Management Levy without raising the overall tax rate.
- The Capital Projects Fund balance increased to \$771,548, compared to \$597,066 last year. Building projects are completed for the most part and the District can begin to accumulate funds for infrastructure and property tax relief.
- District long-term debt is paid using PPEL, statewide sales and services tax and debt service. Debt service revenue and payments began in 2008. SILO revenue was used to buy down property taxes normally levied for debt service. This helped the district keep its promise to the public not to raise the district tax levy higher than 55 cents per thousand over the base year, 2007.
- Student Activity Fund balance increased by \$15,107 with a beginning balance of \$150,208 and ending balance of \$165,315. Gate receipts at athletic events and student fees collected at registration primarily generate revenue in this fund. The Sports Booster Club also provided financial support for athletic expenditures in the way of uniform purchases and other miscellaneous purchases.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$231,419 at June 30, 2008 to \$240,095 at June 30, 2009, representing an increase of 4%. Internal Service Funds increased from \$183,546 at June 30, 2008 to \$270,201 at June 30, 2009. This was a decrease of 47%. This was due to retirees being required to contribute more to the plan or seek other coverage.

BUDGETARY HIGHLIGHTS

Instruction is one of four budget categories for which the district is required to keep within its adopted budget. The other categories include Support Services, Non-instructional Programs and Other Expenditures. Over the course of the year, Clarion-Goldfield Community School District amended its annual budget to reallocate projected spending, but no increase in total dollars. During FY09, District expenditures exceeded its Instruction and Other Expenditures function budgets.

The District monitors its budget throughout the year and believed that expenditures would not exceed the budget in any of the categories. Exceeding the budgeted amounts was due to timing on end of year expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$10,393,894, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment (see figure A-6). This represents a net decrease of 3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$411,682.

The largest increase in capital asset activity during the year occurred in Equipment. The District reduced spending for items considered to be discretionary.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 82	82	-	-	82	82	0.00%
Improvements	199	218	-	-	199	218	-8.72%
Buildings	9,667	9,954	-	-	9,667	9,954	-2.88%
Furniture and equipment	344	375	102	104	446	479	-6.89%
Totals	<u>\$ 10,292</u>	<u>10,629</u>	<u>102</u>	<u>104</u>	<u>10,394</u>	<u>10,733</u>	<u>-3.16%</u>

Long-term Debt

At June 30, 2009, the District had \$5,909,660 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 8% from last year (see figure A-7).

In May 9, 2006, the District's voters authorized the issuance of \$4,000,000 in general obligation bonds to pay for renovation and expansion of the middle school and renovation and expansion of the high school including geothermal heating and cooling, completing last phase of the system for the entire high school campus (Phase III & IV of the District's comprehensive facility improvement plan). The remaining balance at June 30, 2009 was \$3,850,000.

The District's total indebtedness also includes earlier projects (Phase I & II) that involved renovation of the high school locker rooms, addition of an art studio, wrestling room and installing a geothermal heating and cooling system to those areas. Funding for Phase I of the project was accomplished by using capital loan notes, repaid using the Physical Plant and Equipment Fund (initial project of \$1,856,454). Phase II was funded using revenue bonds, repaid using one-cent sales tax revenue (initial project of \$1,265,000). Remaining debt totaled \$1,575,000 at June 30, 2009.

The remaining long-term obligations were associated with early retirement packages. Early retirement packages include cash and benefits. The District's retirement policy was revised in FY2007 to comply with a discrimination ruling in the Des Moines Independent School District. Those changes were implemented in FY2008. The District took advantage of the change process to down size retirement packages to limit District financial liability and corresponding impact on the Management Fund and local property taxes. Medical insurance was changed to limit benefits to five years. Cash packages also included payments for unused sick leave at the time of retirement. The impending change in the District's retirement policy in FY2008, prompted three of the District's four retirements at the conclusion of FY2007. Downsizing retirement packages has decreased financial liability and helped the District eliminate its negative balance in the Management Fund without raising taxes.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$ 3,850	4,000	-3.75%
Revenue bonds	840	965	-12.95%
Capital loan notes	735	965	-23.83%
Special assessment	-	10	-100.00%
Early retirement	427	481	-11.23%
Compensated absences	58	34	70.59%
Total	\$ 5,910	6,455	-8.44%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's taxable valuation will continue to increase about 4% annually until it recovers from the devaluation of agricultural property in 2003.
- School financing is highly dependent upon student enrollment. The District's October 2008 enrollment decreased by 19.2 students. This drop in enrollment will decrease the District's funding for fiscal year 2010. This is part of a four year skid totaling a decrease of 98.0 students. It is anticipated that enrollment will begin to decline again next year due to a large graduating class of 2009 and incoming kindergarteners about 20 students less.
- The economic condition of the state and nation has dramatically impacted state revenue and it is anticipated that the state will run a \$800 million dollar deficit by the end of FY2010. Federal economic stimulus and educational stabilization funds will help for the next two years, but there will be a large economic problem after the federal money runs out. It is anticipated that education will see difficult times in the future, as the state makes adjustments to its budget. It is likely that the state will make additional across-the-board cuts which shifts the financial burden to local taxpayers. Clarion-Goldfield Community School District will be challenged to keep its promise of not raising local levy rates, as the state cuts state foundation aid.
- The District transportation costs are greatly impacted by cost of labor, equipment and fuel. EPA requirements have almost doubled the cost of school buses over the last five years. Fuel prices have moderated, but it is uncertain how the nation's energy plan will impact prices in the future that greatly impacts the cost of running over 205,929 miles of transporting students. Eliminating bus routes and sharing a transportation director with Eagle Grove have been helpful cost saving strategies. State sharing incentive moneys for sharing a transportation director and superintendent have been helpful.
- Clarion-Goldfield Education Teacher Association (CGEA) and the District agreed to a one-year settlement of 3.35% for FY2010, compared to 3.97% of anticipated formula revenue growth. This is the first time in recollections that a settlement did not exceed "new money". It is unfortunate that the state chose to cut Phase I dollars, that directly impacts teacher salaries. It is anticipated that this will cut individual teacher salaries by about \$405. It is still uncertain if the district will use federal educational stabilization money to help subsidize this cut for two years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Fern Spellmeyer, District Board Secretary, Clarion-Goldfield Community School District, 319 3rd Avenue NE, Clarion, IA 50525.

Basic Financial Statements

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash	\$ 1,505,745	120,192	1,625,937
Receivables:			
Property tax:			
Current year	40,870	-	40,870
Succeeding year	2,987,070	-	2,987,070
Succeeding year income surtax	224,573	-	224,573
Due from other governments	321,543	-	321,543
Other receivables	7,166	10,747	17,913
Inventories	-	13,158	13,158
Capital assets, net of accumulated depreciation	10,291,755	102,139	10,393,894
Total assets	15,378,722	246,236	15,624,958
Liabilities			
Accounts payable	390,996	96	391,092
Accrued interest payable	29,735	-	29,735
Deferred revenue:			
Succeeding year property tax	2,987,070	-	2,987,070
Prepaid revenues	-	6,045	6,045
Federal programs	25,215	-	25,215
Long term liabilities:			
Portion due within one year:			
Revenue bonds payable	130,000	-	130,000
General obligation bonds	155,000	-	155,000
Capital loan notes payable	240,000	-	240,000
Early retirement payable	125,003	-	125,003
Compensated absences	20,662	-	20,662
Portion due after one year:			
Revenue bonds payable	710,000	-	710,000
General obligation bonds	3,695,000	-	3,695,000
Capital loan notes payable	495,000	-	495,000
Early retirement payable	302,006	-	302,006
Compensated absences	36,989	-	36,989
Total liabilities	9,342,676	6,141	9,348,817
Net assets			
Invested in capital assets, net of related debt	4,866,755	102,139	4,968,894
Restricted for:			
Management levy	48,372	-	48,372
Physical plant and equipment levy	53,535	-	53,535
Debt service	26,674	-	26,674
Capital projects	771,548	-	771,548
Health insurance	270,201	-	270,201
Categorical funding	118,430	-	118,430
Unrestricted	(119,469)	137,956	18,487
Total net assets	\$ 6,036,046	240,095	6,276,141

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 6,174,698	661,573	1,435,696	(4,077,429)	-	(4,077,429)
Support services:						
Student services	283,234	-	-	(283,234)	-	(283,234)
Instructional staff services	282,768	-	-	(282,768)	-	(282,768)
Administration services	926,364	-	-	(926,364)	-	(926,364)
Operation and maintenance of plant services	831,395	-	9,444	(821,951)	-	(821,951)
Transportation services	422,694	-	-	(422,694)	-	(422,694)
	2,746,455	-	9,444	(2,737,011)	-	(2,737,011)
Non-instructional programs	9,698	-	-	(9,698)	-	(9,698)
Other expenditures:						
Facilities acquisition	222,720	-	4,442	(218,278)	-	(218,278)
Interest on long term debt	218,987	-	1,374	(217,613)	-	(217,613)
Long-term debt service	400	-	-	(400)	-	(400)
AEA flowthrough	314,550	-	314,550	-	-	-
Depreciation (unallocated) *	400,238	-	-	(400,238)	-	(400,238)
	1,156,895	-	320,366	(836,529)	-	(836,529)
Total governmental activities	10,087,746	661,573	1,765,506	(7,660,667)	-	(7,660,667)

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Total
Business Type activities:				
Non-instructional programs:				
Nutrition services	427,950	217,902	218,724	8,676
Total	<u>\$ 10,515,696</u>	<u>879,475</u>	<u>1,984,230</u>	<u>(7,651,991)</u>
General Revenues:				
Property tax levied for:				
General purposes			\$ 2,791,233	2,791,233
Management fund			369,969	369,969
Debt service			304,786	304,786
Capital outlay			455,243	455,243
Income surtax			272,592	272,592
Statewide sales and services tax			512,551	512,551
Unrestricted state grants			3,235,091	3,235,091
Unrestricted investment earnings			12,125	12,125
Other			58,909	58,909
Total general revenues			<u>8,012,499</u>	<u>8,012,499</u>
Change in net assets			351,832	360,508
Net assets beginning of year (as restated)			5,684,214	5,915,633
Net assets end of year			<u>\$ 6,036,046</u>	<u>6,276,141</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 1,188,912
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	224,573
Internal Service fund assets that are to be included with governmental funds.	270,201
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,291,755
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(29,735)
Long-term liabilities, including bonds payable, capital loan notes, early retirement payments and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	<u>(5,909,660)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 6,036,046</u></u>

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 3,056,336	-	369,969	455,243	512,551	304,786	4,698,885
Tuition	569,929	-	-	-	-	-	569,929
Other	282,873	263,866	274	8,774	4,442	1,230	561,459
State sources	4,199,172	-	180	216	-	144	4,199,712
Federal sources	399,796	-	-	-	-	-	399,796
Total revenues	8,508,106	263,866	370,423	464,233	516,993	306,160	10,429,781
Expenditures:							
Instruction:	5,846,742	248,759	146,282	3,788	45,814	-	6,291,385
Support services							
Student services	283,234	-	-	-	-	-	283,234
Instructional staff services	282,768	-	-	-	-	-	282,768
Administration services	897,617	-	22,054	2,695	3,998	-	926,364
Operation and maintenance of plant services	739,314	-	83,081	1,000	8,000	-	831,395
Transportation services	402,288	-	28,406	-	29,000	-	459,694
	2,605,221	-	133,541	3,695	40,998	-	2,783,455
Non-instructional programs							
Food service operations	-	-	9,698	-	-	-	9,698
Other expenditures							
Facilities acquisition	-	-	-	164,990	83,790	-	248,780
Principal on long-term debt	-	-	-	-	-	516,693	516,693
Interest on long-term debt	-	-	-	-	-	233,277	233,277
Long-term debt services	-	-	-	-	-	400	400
AEA flowthrough	314,550	-	-	-	-	-	314,550
	314,550	-	-	164,990	83,790	750,370	1,313,700
Total expenditures	8,766,513	248,759	289,521	172,473	170,602	750,370	10,398,238

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Excess (Deficiency) of revenues over (under) expenditures	(258,407)	15,107	80,902	291,760	346,391	(444,210)	31,543
Other financing sources (uses):							
Proceeds from sale of personal property	2,308	-	-	-	-	-	2,308
Operating transfers in	-	-	-	-	-	424,175	424,175
Operating transfers out	-	-	-	(252,266)	(171,909)	-	(424,175)
	2,308	-	-	(252,266)	(171,909)	424,175	2,308
Net change in fund balances	(256,099)	15,107	80,902	39,494	174,482	(20,035)	33,851
Fund balances beginning of year	379,567	150,208	(32,530)	14,041	597,066	46,709	1,155,061
Fund balances end of year	\$ 123,468	165,315	48,372	53,535	771,548	26,674	1,188,912

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E)	\$	33,851
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**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities
This represents the change from FY08 to FY09

7,489

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 63,060	
Depreciation expense	<u>(400,238)</u>	(337,178)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

515,142

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	53,933	
Compensated absences	<u>(23,901)</u>	30,032

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

15,841

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures.

86,655

Change in net assets of governmental activities (Exhibit B)	\$	<u>351,832</u>
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CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2008

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Assets		
Cash	\$ 120,192	504,277
Other receivables	10,747	-
Inventories	13,158	-
Capital assets, net of accumulated depreciation	102,139	-
Total assets	<u>246,236</u>	<u>504,277</u>
Liabilities		
Accounts payable	96	234,076
Deferred revenue	6,045	-
Total liabilities	<u>6,141</u>	<u>234,076</u>
Net Assets		
Invested in capital assets, net of related debt	102,139	-
Restricted for health insurance	-	270,201
Unrestricted	137,956	-
Total net assets	<u>\$ 240,095</u>	<u>270,201</u>

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 217,902	1,664,274
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	142,958	-
Benefits	72,357	-
Services	9,246	-
Supplies	191,945	-
Depreciation	11,444	-
	427,950	-
Internal service programs:		
Benefits	-	1,577,619
Total operating expenses	427,950	1,577,619
Operating (loss)	(210,048)	86,655
Non-operating revenues:		
Local sources	2,202	-
State sources	5,216	-
Federal sources	211,306	-
	218,724	-
Net change in fund net assets	8,676	86,655
Net assets beginning of year	231,419	183,546
Net assets end of year	\$ 240,095	270,201

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of services	\$ 208,438	1,673,266
Cash payments to employees for services	(215,315)	(1,604,643)
Cash payments to suppliers for goods or services	(171,272)	-
Net cash provided by (used by) operating activities	(178,149)	68,623
Cash flows from non-capital financing activities:		
State grants received	5,216	-
Federal grants received	175,888	-
Net cash provided by non-capital financing activities	181,104	-
Cash flows from capital financing activities		
Acquisition of capital assets	(9,462)	-
Cash flows from investing activities:		
Interest on investments	2,202	-
Net increase (decrease) in cash and cash equivalents	(4,305)	68,623
Cash and cash equivalents beginning of year	124,497	435,654
Cash and cash equivalents end of year	\$ 120,192	504,277
Reconciliation of operating profit (loss) to net cash provided by (used by) operating activities:		
Operating profit (loss)	\$ (210,048)	86,655
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	11,444	-
Commodities used	35,418	-
(Increase) in other receivables	(4,801)	8,992
(Increase) in inventory	(5,595)	-
Increase in accounts payable	96	(27,024)
(Decrease) in deferred revenue	(4,663)	-
	\$ (178,149)	68,623

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$35,418.

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	<u>Private Purpose Trusts</u>
Assets	
Cash	\$ 110,266
Other receivables	<u>500</u>
Total assets	<u>110,766</u>
Net Assets	
Reserved for scholarships	107,312
Reserved for student personal needs	<u>3,454</u>
Total net assets	<u><u>\$ 110,766</u></u>

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trusts
Additions:	
Local sources:	
Interest on investments	\$ 1,992
Contributions	<u>5,564</u>
Total additions	<u>7,556</u>
Deductions:	
Support services:	
Student personal needs	1,451
Scholarships	<u>8,525</u>
Total deductions	<u>9,976</u>
Change in net assets	(2,420)
Net assets beginning of year	<u>113,186</u>
Net assets end of year	<u>\$ 110,766</u>

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

Clarion-Goldfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Clarion and Goldfield, Iowa, and agricultural territory in Wright, Humboldt, and Hancock Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Clarion-Goldfield Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Clarion-Goldfield Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ -
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets we depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent federal program revenues.

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the amended amounts budgeted in the instruction and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$ 82,379</u>	<u>-</u>	<u>-</u>	<u>82,379</u>
Capital assets being depreciated:				
Buildings	13,338,469	26,060	-	13,364,529
Improvements other than buildings	654,391	-	-	654,391
Furniture and Equipment	<u>1,148,435</u>	<u>37,000</u>	<u>-</u>	<u>1,185,435</u>
Total capital assets being depreciated	<u>15,141,295</u>	<u>63,060</u>	<u>-</u>	<u>15,204,355</u>
Less accumulated depreciation for:				
Buildings	3,384,076	315,343	-	3,699,419
Improvements other than buildings	436,756	18,077	-	454,833
Furniture and Equipment	<u>773,909</u>	<u>66,818</u>	<u>-</u>	<u>840,727</u>
Total accumulated depreciation	<u>4,594,741</u>	<u>400,238</u>	<u>-</u>	<u>4,994,979</u>
Total capital assets being depreciated, net	<u>10,546,554</u>	<u>(337,178)</u>	<u>-</u>	<u>10,209,376</u>
Governmental activities, capital assets, net	<u>\$ 10,628,933</u>	<u>(337,178)</u>	<u>-</u>	<u>10,291,755</u>
Business type activities:				
Furniture and Equipment	\$ 159,790	9,462	-	169,252
Less accumulated depreciation	<u>55,669</u>	<u>11,444</u>	<u>-</u>	<u>67,113</u>
	<u>\$ 104,121</u>	<u>(1,982)</u>	<u>-</u>	<u>102,139</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>\$ 400,238</u>
Business type activities:				
Food service operations				<u>\$ 11,444</u>

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Nonmajor Governmental Funds:		
Debt Service Fund	Physical Plant and Equipment Levy	\$252,566
Nonmajor Governmental Funds:		
Debt Service Fund	Capital Projects Fund	\$171,909

These transfers moved revenues from the funds statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End of Year
General obligation bonds	\$4,000,000	-	150,000	3,850,000
Statewide sales and services tax revenue bonds	965,000	-	125,000	840,000
Capital loan notes	965,000	-	230,000	735,000
Note payable - special assessment	10,142	-	10,142	-
Termination benefits	480,942	71,070	125,003	427,009
Compensated absences	33,750	28,351	4,450	57,651
Total	<u>\$6,454,834</u>	<u>99,421</u>	<u>644,595</u>	<u>5,909,660</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have reached the age of fifty-five, must be on the top of the salary schedule, and/or has accrued 15 years of continuous service in the Clarion-Goldfield Community School District. The application for early retirement is subject to approval by the Board of Education.

Early retirement cash benefits are based on a percentage of the retiree's last contracted salary and the District will pay for single health insurance premiums until the retiree is eligible for Medicare.

Early retirement cash benefits will be paid in no more than three equal installments.

At June 30, 2009, the District has obligations to eleven participants with a total liability of \$427,009. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$125,003.

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2010	4.375%	\$ 155,000	169,233	324,233
2011	4.375	165,000	162,451	327,451
2012	4.375	170,000	155,233	325,233
2013	4.375	180,000	147,795	327,795
2014	4.400	185,000	139,920	324,920
2015-2019	4.400	1,060,000	569,360	1,629,360
2020-2024	4.400	1,320,000	315,040	1,635,040
2025-2026	4.400	615,000	40,920	655,920
Total		<u>\$3,850,000</u>	<u>1,699,952</u>	<u>5,549,952</u>

Revenue Bonds Payable

Details of the District's June 30, 2009 statewide sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 2004			
	Interest Rates	Interest	Principal	Total
2010	2.50%	\$ 25,055	130,000	155,055
2011	2.80	21,610	130,000	151,610
2012	3.10	17,698	135,000	152,698
2013	3.30	13,295	140,000	153,295
2014	3.50	8,359	150,000	158,359
2015	3.70	2,868	155,000	157,868
		<u>\$ 88,885</u>	<u>840,000</u>	<u>928,885</u>

The District has pledged future statewide sales and services tax revenues to repay the \$1,265,000 bonds issued in April 2004. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues and received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 30 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$928,885. For the current year, \$125,000 principal and \$28,087 interest was paid on the bonds and total statewide sales and services tax revenues were \$512,551.

The resolution providing for the issuance of the statewide sales and services revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the statewide sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- \$126,500 of the proceeds from the bond issue were placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is a part of the Capital Projects Fund and is reserved for debt service.
- Proceeds from the statewide sales and services tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. The required monthly payment to the sinking account shall equal 1/6 of the installment of interest coming due on the next interest payment date and 1/12 of the installment of principal coming due on the next principal payment date. Money in the sinking account shall be used to pay the interest and principal on the bonds. The sinking fund is part of the Capital Projects Fund and is reserved for debt service.

Capital Loan Notes

The District issued \$1,825,000 of capital loan notes in August 2003. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2010	3.10%	\$23,903	240,000	263,903
2011	3.25	16,463	245,000	261,463
2012	3.40	<u>8,500</u>	<u>250,000</u>	<u>258,500</u>
		<u>\$48,866</u>	<u>735,000</u>	<u>783,866</u>

During the year ended June 30, 2009 the District made principal and interest payments totaling \$260,457 under the note agreements.

Note Payable Special Assessment

During the year ended June 30, 2004, the District was assessed \$31,455 by the City of Clarion for street repairs. The District borrowed money at 4% interest to pay the assessment.

During the year ended June 30, 2008, the District made principal and interest payments totaling \$10,547 on the note. These payments fully retired this debt.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$305,367, \$310,792 and \$284,326 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$314,550 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Risk Management

Clarion-Goldfield Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 5,830,273	217,902	6,048,175	5,734,012	5,734,012	314,163
State sources	4,199,712	5,216	4,204,928	4,350,809	4,350,809	(145,881)
Federal sources	399,796	211,306	611,102	287,000	287,000	324,102
Total revenues	<u>10,429,781</u>	<u>434,424</u>	<u>10,864,205</u>	<u>10,371,821</u>	<u>10,371,821</u>	<u>492,384</u>
Expenditures/Expenses						
Instruction	6,291,385	-	6,291,385	6,560,000	6,200,000	(91,385)
Support services	2,783,455	-	2,783,455	3,298,000	3,159,200	375,745
Non-instructional programs	-	427,950	427,950	1,200	500,000	72,050
Other expenditures	1,313,700	-	1,313,700	1,265,725	1,265,725	(47,975)
Total expenditures/expenses	<u>10,388,540</u>	<u>427,950</u>	<u>10,816,490</u>	<u>11,124,925</u>	<u>11,124,925</u>	<u>308,435</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	41,241	6,474	47,715	(753,104)	(753,104)	800,819
Other financing sources (uses)	<u>2,308</u>	<u>-</u>	<u>2,308</u>	<u>20,000</u>	<u>20,000</u>	<u>(17,692)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	43,549	6,474	50,023	(733,104)	(733,104)	783,127
Balance beginning of year	<u>1,155,061</u>	<u>231,419</u>	<u>1,386,480</u>	<u>2,021,935</u>	<u>2,021,935</u>	<u>(635,455)</u>
Balance end of year	<u>\$ 1,198,610</u>	<u>237,893</u>	<u>1,436,503</u>	<u>1,288,831</u>	<u>1,288,831</u>	<u>147,672</u>

See accompanying independent auditor's report.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment. There was no increase in budgeted expenditures, however, amounts were shifted between functions.

During the year ended June 30, 2009, expenditures exceeded the amended amount budgeted in the instruction and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Vending machine	\$ 22,065	1,355	2,162	21,258
Concessions	5,456	24,844	23,461	6,839
Classes	3,575	7,405	7,245	3,735
Spanish club	21,523	18,163	20,852	18,834
MS peer helper	4,367	17,353	13,210	8,510
Cheerleaders	2,782	6,144	6,910	2,016
FBLA	498	321	90	729
Student council	3,237	1,980	3,136	2,081
Athletics	35,775	106,879	112,703	29,951
Vocal music	2,024	2,654	1,472	3,206
MS vocal	7,231	5,783	5,659	7,355
MS band	7,594	6,319	10,344	3,569
Drama/speech	6,940	3,621	2,620	7,941
FFA	14,014	28,910	24,636	18,288
NHS	2,611	-	769	1,842
Lasso	6,317	9,217	7,760	7,774
Industrial arts club	805	15,867	2,660	14,012
Science Club	464	2,455	1,304	1,615
JEL	800	-	-	800
FCCLA	1,077	1,381	1,051	1,407
HS band	908	278	570	616
Interest	145	2,937	145	2,937
Total	\$ 150,208	263,866	248,759	165,315

See accompanying independent auditor's report.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	4,698,885	4,376,274	4,246,981	3,866,463	3,760,131
Tuition	569,929	625,696	588,690	464,096	237,260
Other	561,459	467,016	708,219	403,312	311,084
State sources	4,199,712	4,172,647	4,014,363	3,974,315	3,607,654
Federal sources	399,796	293,454	280,580	306,184	337,802
Total	<u>10,429,781</u>	<u>9,935,087</u>	<u>9,838,833</u>	<u>9,014,370</u>	<u>8,253,931</u>
					<u>7,912,515</u>
Expenditures:					
Instruction	6,291,385	5,867,145	5,695,337	5,351,958	5,070,144
Support services:					
Student	283,234	237,191	210,850	204,368	289,181
Instructional staff	282,768	263,874	251,817	271,394	237,110
Administration	926,364	960,422	936,083	845,261	798,647
Operation and maintenance of plant	831,395	834,047	840,981	731,884	704,788
Transportation	459,694	523,557	465,688	424,909	350,256
Non-instructional programs	-	14,609	4,837	8,480	20,935
Other expenditures:					
Facilities acquisition	248,780	1,709,599	3,263,419	80,756	1,247,133
Debt Service:					
Principal	516,693	351,428	353,940	431,394	397,172
Interest and service charges	233,677	375,026	74,799	83,869	84,161
AEA flowthrough	314,550	307,277	299,372	290,471	269,312
Total	<u>10,388,540</u>	<u>11,444,175</u>	<u>12,397,123</u>	<u>8,724,744</u>	<u>9,468,839</u>
					<u>10,308,453</u>

See accompanying independent auditor's report.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY09	\$ 28,396
Special Milk Program	10.551	FY09	1,522
Food Distribution (non-cash)	10.555	FY09	35,418
National School Lunch Program	10.555	FY09	145,970
			<u>211,306</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1206-G-09	157,114
ARRA - State Fiscal Stabilization Fund (SFSF)			
Education State Grants, Recovery Act	84.394	FY09	72,946
Improving Teacher Quality - States Grants	84.367	FY09	39,500
Grants for Assessments and Related Activities	84.369	FY09	6,091
Title III - English Language Acquisition State Grants	84.365	FY09	2,878
Vocational Education - Basic Grants to States	84.048	FY09	12,171
Safe and Drug-Free Schools and Communities -			
States Grants	84.186	FY09	3,396
Area Education Agency 267			
Special Education - Grants to States (IDEA Part B)	84.027	FY09	45,033
ARRA - Special Education - Grants to States -			
Recovery Act	84.391	FY09	<u>25,118</u>
Total			<u>\$ 575,553</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clarion-Goldfield Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Clarion-Goldfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clarion-Goldfield Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 29, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarion-Goldfield Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Clarion-Goldfield Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarion-Goldfield Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Clarion-Goldfield Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Clarion-Goldfield Community School District's financial statements that is more than inconsequential will not be prevented or detected by Clarion-Goldfield Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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bruce@frinkcpa.com

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Clarion-Goldfield Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 are material weaknesses.

Compliance and Other Matters

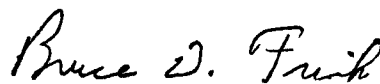
As part of obtaining reasonable assurance about whether Clarion-Goldfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clarion-Goldfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clarion-Goldfield Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarion-Goldfield Community School District and other parties to whom Clarion-Goldfield Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarion-Goldfield Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

April 29, 2010

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133

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To the Board of Education of
Clarion-Goldfield Community School District:

Compliance

We have audited the compliance of Clarion-Goldfield Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Clarion-Goldfield Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Clarion-Goldfield Community School District's management. Our responsibility is to express an opinion on Clarion-Goldfield Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clarion-Goldfield Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clarion-Goldfield Community School District's compliance with those requirements.

In our opinion Clarion-Goldfield Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Clarion-Goldfield Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clarion-Goldfield Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clarion-Goldfield Community School District's internal control over compliance.

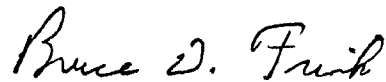
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Clarion-Goldfield Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clarion-Goldfield Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarion-Goldfield Community School District and other parties to whom Clarion-Goldfield Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

April 29, 2010

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 - ARRA - State Stabilization Fund (SFSF) Education State Grants Recover Act
 - CFDA Number 84.367 - Improving Teacher Quality - States GrantsSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarion-Goldfield Community School District did not qualify as a low-risk auditee.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-09 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number: 84.394 ARRA-State Stabilization Fund (SFSF) Education State Grants Recovery Act
Federal Award Year: 2009
US Department of Education
Passed through Iowa Department of Education

CFDA Number: 84.367 Improving Teacher Quality - States Grants
Federal Award Year: 2009
US Department of Education
Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program
10.555 National School Lunch Program
Federal Award Year: 2009
US Department of Agriculture
Passed through Iowa Department of Education

III-A-09 Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the amended certified budget amounts in the instruction and other expenditures functions.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- IV-B-09 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-H-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-I-09 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			512,551
Expenditures/transfers out:			
School infrastructure:			
Other improvements	\$170,602		
Debt service for school infrastructure:			
Revenue debt	<u>171,909</u>		<u>342,511</u>
Ending balance			<u>\$170,040</u>